

Revised to include the Department of Insurance's estimate.

FISCAL NOTE
LEGISLATIVE FISCAL ANALYST ESTIMATE

ESTIMATE OF FISCAL IMPACT – STATE AGENCIES (See narrative for political subdivision estimates)				
	FY 2021-22		FY 2022-23	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	\$2,000	(\$1,000,000)		(\$1,000,000)
CASH FUNDS				
FEDERAL FUNDS				
OTHER FUNDS				
TOTAL FUNDS	\$2,000	(\$1,000,000)		(\$1,000,000)

Any Fiscal Notes received from state agencies and political subdivisions are attached following the Legislative Fiscal Analyst Estimate.

LB 674 amends various sections relating to the Affordable Housing Tax Credit Act. The changes made are to apply to taxable years beginning on or after January 1, 2020.

LB 674 requires owners of qualified projects to be partners, members, or shareholders on or before the claiming of the tax credit.

LB 674 expands the eligible premium and retaliatory taxes that can be offset by the Affordable Housing Tax Credit to include those under 81-523.

Revenue:

The Department of Revenue estimates no revenue loss to the Department of Revenue as a result of LB 674.

As LB 674 allows insurance companies to use the Affordable Housing Tax Credit against their fire tax liability, the Department of Insurance expects LB 674 to create a General Fund revenue loss of \$1,000,000 in each year of the biennium. There is no basis to disagree with this estimate.

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Expenditures:

The Department of Revenue estimates no cost to implement LB 674.

The Department of Insurance estimates the need for a Temporary Tax Clerk to help process the tax returns impacted by LB 674.

There is no basis to disagree with these estimates.

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2021

LB⁽¹⁾ 674

FISCAL NOTE

State Agency OR Political Subdivision Name: ⁽²⁾ Insurance

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ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION

	<u>FY 2021-22</u>		<u>FY 2022-23</u>	
	<u>EXPENDITURES</u>	<u>REVENUE</u>	<u>EXPENDITURES</u>	<u>REVENUE</u>
GENERAL FUNDS	<u>\$2,000</u>	<u>-\$1,000,000</u>	<u></u>	<u>-\$1,000,000</u>
CASH FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
FEDERAL FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
OTHER FUNDS	<u></u>	<u></u>	<u></u>	<u></u>
TOTAL FUNDS	<u><u>\$2000</u></u>	<u><u>-\$1,000,000</u></u>	<u><u></u></u>	<u><u>-\$1,000,000</u></u>

Explanation of Estimate:

LB 674 changes the way that the Affordable Housing Tax Credit (“AHTC”) is applied in premium tax computations by allowing it to be applied toward fire tax liability including retaliatory tax liability. Additionally, the bill allows the tax credits to be applied to the 2020 premium tax return, which is due on March 1, 2021. Ultimately, it is anticipated that the bill will result in a reduction in tax revenues received.

Allowing the AHTC to be applied against fire tax liability will result in a reduction in the amount of tax proceeds received from every insurer that opts to take the new deduction. Estimating the amount of lost revenues is difficult because the exact amount will vary depending on the amount of the AHTC that each insurer wishes to apply toward fire tax liability. The Department of Insurance DOI did receive one tax return during 2019 where a company attempted to apply AHTC credits of approximately \$400,000 to fire tax liability (the DOI rejected this application). Based on that request, the expected growth in the AHTC program as it continues to age and awareness increases, and trends in the growth of other tax credit programs like the New Markets Tax Credit as they aged and awareness increased, the DOI estimates that if LB 674 is enacted into law, the total value of the credit used would be around \$1,000,000 for each of FY 2021-22 and FY 2022-23. Because this is a tax credit, that would mean there would be a corresponding reduction in tax revenues received of the same amounts, \$1,000,000 in both FY 2021-22 and FY 2022-23.

Because 2020 premium tax forms have already been finalized, and because LB 274 is retroactive to taxes due for 2020, the online portal, OPTIns will not be available to parties claiming a tax credit under LB 674 in 2020. Instead, every return claiming the credit under LB 674 would require a direct conversation between the party attempting to take the new tax credit and a member of the DOI to complete. As a result, the Department will incur additional labor costs to process these returns. It is estimated that getting a temporary employee to handle the conversations to complete the 2020 tax forms when a credit under LB 674 is claimed (or to complete the work of existing staffers so that they are freed up to complete the review of the tax returns) will result in additional expense of approximately \$2000.

BREAKDOWN BY MAJOR OBJECTS OF EXPENDITURE

Personal Services:

<u>POSITION TITLE</u>	<u>NUMBER OF POSITIONS</u>		<u>2021-22</u>	<u>2022-23</u>
	<u>21-22</u>	<u>22-23</u>	<u>EXPENDITURES</u>	<u>EXPENDITURES</u>
Temporary Tax Clerk	<u>1</u>	<u></u>	<u>\$2000</u>	<u></u>

Benefits				
Operating				
Travel				
Capital outlay				
Aid				
Capital improvements				
TOTAL			\$2000	

